

Service Date: April 11, 1995

DEPARTMENT OF PUBLIC SERVICE REGULATION
BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MONTANA

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In the Matter of the Application)	
of PACIFICORP for Authority to)	
Issue up to \$125,000,000)	UTILITY DIVISION
Aggregate Principal Amount of its)	DOCKET NO. 95.3.8
Junior Subordinated Debentures)	DEFAULT ORDER NO. 5836
in Exchange for Shares of its)	
Outstanding Preferred Stock.)	

On March 13, 1995, PacifiCorp (Company), a corporation organized and existing under and by virtue of the laws of the State of Oregon and qualified to transact business in Montana, filed with the Montana Public Service Commission its verified application, pursuant to Sections 69-3-501 through 69-3-507, MCA, requesting an order authorizing the Company to issue up to \$125,000,000 aggregate principal amount of its junior subordinated debentures (Debentures) in exchange for shares of its outstanding \$1.98 Series No Par Serial Preferred Stock, Series 1992 (Series 1992 Preferred Stock).

The application is supported by exhibits and data in accordance with the rules and regulations of the Commission governing the authorization of the issuance of securities by electric and gas utility companies operating within Montana.

For detailed information with respect to the general character of the Company's business and the territories served by it, reference is made to its annual reports on file with the Commission.

The application sets forth Counsel who will pass upon the legality of the proposed issuance, the other regulatory authorizations required, and the propriety of the proposed issue.

At a regular open session of the Montana Public Service Commission held in its offices at 1701 Prospect Avenue, Helena, Montana, on March 27, 1995, there came before the Commission for final action the matters and things in Docket No. 95.3.8, and the Commission, having fully considered the application and all the data and records pertaining to it on file with the Commission and being fully advised in the premises, makes the following:

FINDINGS

1. PacifiCorp is a corporation organized and existing under and by virtue of the laws of the State of Oregon and is qualified to transact business in the State of Montana.

2. PacifiCorp is operating as a public utility as defined in ' 69-3-101, MCA, and is engaged in furnishing electric service in Montana.

3. The Company was incorporated under Oregon law in August 1987 for the purpose of facilitating consummation of a merger with Utah Power & Light Company, a Utah corporation, and changing the state of incorporation of PacifiCorp from Maine to Oregon. The Company uses the assumed business names of Pacific Power & Light Company and Utah Power & Light Company within their respective service territories located in the states of California, Idaho, Montana, Oregon, Utah, Washington and Wyoming.

4. The Commission has jurisdiction over the subject matter of the application under § 69-3-102, MCA.

5. Notice of the application was published as a part of the Commission's regular weekly agenda.

6. The Company proposes to offer to exchange (Exchange Offer) up to \$125,000,000 aggregate principal amount of Debentures for shares of the Series 1992 Preferred Stock. Exchanges will be made on a basis of \$25 principal amount of Debentures (the minimum permitted denomination) for each share of Series 1992 Preferred Stock validly tendered and accepted for exchange in the Exchange Offer.

7. The principal purpose of the Exchange Offer is to improve the Company's after-tax cash flow by replacing the Series 1992 Preferred Stock with the Debentures. The potential cash flow benefit to the Company arises because interest payable on the Debentures should be deductible by the Company for federal income tax purposes, while dividends payable on the Series 1992 Preferred Stock are not deductible.

8. The Debentures will have a 30-year maturity and will bear interest at an annual rate of not more than 8.92 percent from the first day following the expiration date of the Exchange Offer or from the most recent interest payment date to which interest has been paid or duly provided for. Interest is expected to be paid quarterly or monthly in arrears, *provided that*, so long as the Company shall not be in default in the payment of interest on the Debentures, the Company shall have the right, upon prior notice by public announcement given in accordance with NYSE rules at any time during the term of the Debentures, to extend the interest payment period from time to time for a period not exceeding 20 consecutive calendar quarters. The

Debentures will be subordinated to all existing and future senior indebtedness of the Company (as defined).

9. Holders of the Debentures will also be entitled to interest at a rate of 7.92 percent per annum from the last date through which dividends have been paid on the Series 1992 Preferred Stock through the expiration date of the Exchange Offer, payable at the time of the first interest payment on the Debentures.

10. The Company will accept for exchange Series 1992 Preferred Stock validly tendered and not withdrawn prior to the latest date and time to which the Exchange Offer is extended. Tenders of Series 1992 Preferred Stock pursuant to the Exchange Offer may be withdrawn at any time prior to the Expiration Date and, unless accepted for exchange by the Company, may be withdrawn at any time after 40 business days after the date of the Exchange Offer.

11. The Company will expressly reserve the right to (i) extend, amend or modify the terms of the Exchange Offer in any manner and (ii) withdraw or terminate the Exchange Offer and not accept for exchange any Series 1992 Preferred Stock, at any time for any reason.

12. The estimated expenses of the Exchange Offer are expected to be as follows:

ESTIMATED EXPENSES

Regulatory agency fees	\$ 1,000
Dealer/manager fees	1,500,000
Broker/dealer fees	2,500,000
Information agent fees	25,000
Depository/exchange agent fees	25,000
Company's counsel fees	30,000
Printing and engraving fees	40,000
Miscellaneous Expenses	29,000
TOTAL	<u>\$4,150,000</u>

13. The Debentures will replace the Series 1992 Preferred Stock tendered in the Exchange Offer, which had originally been issued in furtherance of utility purposes. The Company will receive no cash proceeds in the transaction.

14. The proposed Exchange Offer is a part of an overall plan to finance the cost of the Company's facilities taking into consideration prudent capital ratios, earnings coverage tests, and market uncertainties as to the relative merits of the various types of securities the Company could sell.

15. The issuance of an order authorizing the proposed transaction does not constitute agency determination/approval of any issuance-related ratemaking issues which issues are expressly reserved until the appropriate proceeding.

CONCLUSIONS

The proposed issuance to which the application relates will be for lawful objects within the corporate purposes of the Company. The method of financing is proper.

ORDER

IT IS THEREFORE ORDERED by the Commission that:

1. The application of PacifiCorp, filed on March 13, 1995, for authority to issue up to \$125,000,000 aggregate principal amount of its junior subordinated debentures (Debentures) in exchange for shares of its outstanding preferred stock, pursuant to §69-3-501 through 69-3-507, MCA, is approved.

2. PacifiCorp shall file the following as they become available:

a) The "Report of Securities Issued" required by
18 CFR 34.10.

b) Verified copies of any agreement entered into pursuant to
this Order.

3. Issuance of this Order does not constitute acceptance of
PacifiCorp exhibits or other material accompanying the application for
any purpose other than the issuance of this Order.

4. Approval of the transactions authorized shall not be
construed as precedent to prejudice any further action of the
Commission.

5. Section 69-3-507, MCA, provides that neither the issuance of
securities by PacifiCorp pursuant to the provisions of this Order, no
any other act or deed done or performed in connection with the
issuance, shall be construed to obligate the State of Montana to pay
or guarantee in any manner whatsoever any security authorized, issued,
assumed, or guaranteed.

6. This Order shall be effective upon execution.

DONE IN OPEN SESSION at Helena, Montana, this 27th day of March,
1995, by a 5 to 0 vote.

BY ORDER OF THE MONTANA PUBLIC SERVICE COMMISSION

NANCY McCAFFREE, Chair

DAVE FISHER, Vice Chair

BOB ANDERSON, Commissioner

DANNY OBERG, Commissioner

BOB ROWE, Commissioner

ATTEST:

Kathlene M. Anderson
Commission Secretary

(SEAL)

NOTE: Any interested party may request that the Commission reconsider this decision. A motion to reconsider must be filed within ten (10) days. See 38.2.4806, ARM.